

Budgeting

Lesson Objective:	Discuss the importance of a unit budget and determine budget requirements.
Behavioral Objectives: At the end of this segment you will be able to:	<ol style="list-style-type: none">1. Describe the importance of budgeting at the unit level.2. Identify unit assets and needs.3. Discuss techniques for raising funds.4. Complete a budgeting exercise.

Overview

One of your most important responsibilities as a commander is to ensure that your unit is financially sound. It's ultimately your responsibility to make sure your unit can and does pay its debts, and is accountable to the wing, HQ CAP, and to its membership. Depending on the size and activity of the unit, this can be simple or complex.

You may be assuming command of a unit in good financial shape with assets and cash or a unit with few assets and no cash whatsoever. Whatever your situation, you have the same obligations. This segment will show you how to better fulfill them.

The Importance of Budgeting at the Unit Level

Why do you need to budget for your unit? You may not have that many people, or a broad range of activities - on the surface, it may appear that there may not be a pressing need to budget further than the unit checkbook. But, you probably have more of a need than you realize.

Most of you budget for your family: rent, allowance for the children, food, clothing, bills, fuel, and incidentals all take your money. You need to know how much money you have to spend, and to prioritize what you want with what you can afford.

The same is true for your squadron. Look at the sample financial summary you will use later in the exercise. This is a fairly realistic representation of a modest sized unit - and as you can see - a lot of money can change hands if you are an active squadron. Even more money can be involved if you have to rent an airplane for flight activities.

Just a quick look at the summary illustrates an important reason for budgeting itself. This squadron ended the fiscal year with less money than when it started. And in your opinion, do you feel comfortable with the safety net you have in the ending balance?

When you budget, you balance what you have with where you want to be. Using the information available to you, you can determine what you need to do to meet your objectives.

Why is budgeting important, even to a small unit?

Determining Your Assets and Needs

The first step in getting together with your finance committee is to determine your needs and assets. It's important to know that these are two independent operations, at least in the beginning. A good method for doing this assessment is to use elements of the problem solving model.

First, determine what you have. Look at the material assets which you own (excluding corporate vehicles, aircraft, and property), the cash flow over the past year or so, and the cash you have on hand. These assets can include: furniture, copiers, computers, TVs, radios, uniforms, supplies, the bank account, CDs, receipts from fundraising activities and average annual payments for reimbursable activities, etc. A good source to determine this is your financial statement. Though you may have purchased these items for the squadron, or had them donated, be sure to understand that if they are listed on your inventory they are corporate assets. You may not dispose (sell) an item to obtain something else without the permission of the WG/CC.

Next, determine what you need: rent, insurance and tax payments; projected maintenance; scheduled activities; your want list for equipment, supplies and uniforms; telephone and utilities; the money you will need to pay for airplane, vehicle, and other activities before they are reimbursed by HQ CAP or the Air Force; etc. Again, a good shell to use for this portion is your financial statement.

Your next step is to determine the difference between what you project to have and what you think you will need to meet the financial needs of your unit for the coming year. At this stage, it's okay if you want more than you will project to have. You can take this as an opportunity to explore options for raising money, determine if you are receiving all the reimbursement the unit is entitled to, receiving donations, sharing expenses, and other options. You may also conclude that you need to reassess your priorities if you feel you will "bite off more than you can chew."

Look at all ways in which you receive and spend money. Are you paying too much? Are you receiving all your entitled reimbursement? Are your members paying their dues on time? Are they paying enough? Are maintenance or administrative costs draining the budget? What are you supplying your members without charge but cost the unit? What are some questions you would ask?

Determining Your Assets and Needs

- Get together with your _____.
- Use your annual _____ as a guide.
- Determine what you _____ and _____.
- Find the _____ between what you have and what you will need.
- Determine how you will _____ the difference.
- Are you spending money _____?

Raising Funds

If you determine you need to raise funds in order to have enough cash to meet your budgetary requirements, there are many avenues to choose from. CAP Regulation 173-4 *Fund Raising/Donations* is your guide to raising funds properly. It also gives you some ideas from which to build a fund raising program.

Fundraising can be much more than standing outside of a store with a can asking for change, though there is certainly nothing wrong with the practice. But there are other ways to raise funds and build good will for your unit. The method you choose should fit with the amount of money you want to raise, and how long you wish to sustain the campaign.

No matter how you wish to raise funds for your squadron, you must keep these two things in mind; first, *you must obtain written permission from your wing commander*. As the corporate officer of CAP representing your wing, he/she is the agent responsible for all fund raising activities. Secondly, *make yourself aware of the state and local fundraising laws and regulations*. These differ from state to state, and you can contact your state and local governments for more information.

Once you receive permission and meet state and local requirements, you can plan your campaign. It can be as simple as the storefront collection, reselling bulk candy to unit members, bake sales and pancake breakfasts, corporate sponsorship, car or aircraft washes, rummage sales, selling locally contracted merchandise such as bumper stickers, hats or t-shirts, concession booths at selected activities, etc. What you do is only limited by your imagination.

However, there are some things that you **cannot** do. These include: sponsoring or flying in air shows; carrying aircraft passengers for charge, dropping objects from aircraft or spot landing contests, percentage professional fundraising (unless specifically approved in writing and in advance from HQ CAP), or finally, contracting fundraising activities for which an individual is privately paid for the arrangement.

An alternative to fundraising is soliciting donations of needed equipment or supplies from the community. Sources can be corporate or private, and it is sometimes an attractive alternative.

You may solicit donations for your unit; however your wing commander is usually the one who can accept the donation because he/she is the corporate official representing CAP in your wing. The donated material would then be issued to your unit, be mindful though that once the item is donated it is the property of the CAP corporation and not your unit.

Wing commanders can accept donations of property or cash in the amount of \$5000 or less. Region commanders can accept donations worth between \$5000 - \$10,000. The Executive Director of Civil Air Patrol accepts donations worth more than \$10,000.

Budgeting for your unit is an involved but important process which can go hand in hand with unit planning. Knowing what you have, what you need, and having a way to get there will help you fulfill your command obligation of being an agent of sound fiscal management.

Fundraising Ideas

- Storefront _____
- Bake sales/pancake breakfasts
- rummage sales
- locally _____ (t-shirts, hats, etc)
- car/aircraft _____
- commercial _____
- etc.

Fundraising Don'ts

- _____ or _____ in airshows
- carrying aircraft _____
- dropping objects from aircraft or _____
- _____ professional fundraising (unless specifically approved in writing from HQ CAP)
- activities for which CAP members receive _____

Soliciting Donations

- _____ an attractive alternative to fundraising
- You solicit the donation, the wing commander (or higher) _____ the donation on behalf of _____

Budgeting

Exercise

EXERCISE OBJECTIVE: To enable students to apply what they have learned from the Budgeting segment and reach a workable solution to the case presented.

NOTE: In completing the exercise the students will provide samples of behavior which will show comprehension of Behavioral Objectives 1, 2, and 3.

In this exercise, you will plan a budget for a composite squadron for one year. What follows is a brief summary of the large assets you have available:

- a. 1 corporate aircraft (1986 model Cessna 172)
- b. 1 corporate van (1994 Dodge 12 passenger van)
- c. 1 Compaq 386 computer (donated in 1993)
- d. 1 dot matrix printer
- e. 2 Yaseu 2200 model radios
- f. 1 Cannon desk top copier
- g. 1 21" TV/VCR combination (purchased in 1994)
- h. 2 ELPER direction finding units w/cases

You are situated on an airport and rent your facility for \$50.00 per month. Your lease expires on 31 December 2002. The airport manager has given you tie down space free of charge. Hangar space is available but he will charge you an additional \$50.00 per month.

Your unit charges dues: \$2.00 for seniors and \$1.00 for cadets per meeting, and is your main source of paying the reimbursable bills. You pay for encampment fees by unit check and collect the money from the cadets in advance. Every year, the squadron sponsors its own model rocketry program for cadets at no charge and also gives cadets their insignia upon promotion. You do not charge cadets for orientation flights.

You publish a monthly squadron newsletter and mail it to members' homes. Your unit is active in emergency services and is fairly good about turning in claims for reimbursement, but it could be better.

Your fundraising activities are limited, and usually are designed to benefit a squadron activity, such as an open house.

Your task in this exercise is to take this information and the financial summary provided and develop a budget for the coming year. You may not reduce the tempo of activities, nor give up assets. You may estimate member levels, plan to buy or upgrade assets, increase receipts and/or reduce expenses. The group you are in will operate as the unit finance committee, so you must elect a unit commander, finance officer, and recorder for the exercise. The remainder of the group will be on the committee.

There is no correct answer to this exercise. Your answer is solely dependent on your imagination. The purpose of the exercise is to emphasize the importance of budget planning to the unit, given the amount of activity and money flow even a modest sized squadron has. Good Luck!

Sample Unit Financial Summary

CIVIL AIR PATROL

YOUR WING

UNIT NAME *REPUBLIC COMPOSITE SQUADRON* UNIT NUMBER *00123*

Cash in bank/savings account per unit records Oct 1 1999.....\$324.00

Add: Receipt

Account No.	Account Title	Amount	Notes
3000	Membership Dues	\$1890.00	(22 cadets @\$ 1/wk) 45 wks (10 seniors @ \$2/wk) 45 wks
3110	Contributions	\$0	
3190	Government Contributions	\$0	
3200	Gov. Appropriations/Programs	\$960.00	(Mission reimbursement)
3205	Gov. Appropriations/General	\$0	
3238	Receipts from National HQ	\$290.00	(Cadet Orientation Flights)
3280	Receipts from other CAP entities	\$0	
3400	Senior Activities	\$0	
3425	Cadet Activities	\$455	(7 cadet encamp. fees)
3450	Flight Activities	\$1073.00	
3500	Investment Income/Saving & Temp	\$0	
3810	Other Receipts	\$0	
4000	Materials and Supplies Sales	\$0	
4420	Insurance Collected	\$0	
4600	Fundraising/Special Events and acts	\$162.50	
4920	Salvage Proceeds	\$0	
4960	Unrelated Business Income	\$0	

Total Receipts.....\$5130.50

Total Beginning Bank Balance and Receipts During Year.....\$ 5454.00

Less: Expenditures

5000	Grants and Allocations	\$0
5100	Salaries	\$0
5315	Workers Comp Insurance	\$0
5400	Payroll Taxes	\$0
5500	Fundraising Fees	\$0
5525	Fundraising Activities	\$25.00
5555	Accounting Services	\$125.00
5575	Legal Services	\$0
5600	Office Supplies	\$150.00
5630	Materials and Supplies	\$75.00
5635	Mats and Supplies- Cost of Sales	\$0
5700	Telephone	\$520.00

Expenditures Continued

Account No.	Account Title	Amount	Notes
5800	Postage and Shipping	\$122.88	
5920	Facility Expenditures	\$700.00	(Rent \$50/mth + repairs)
6005	Aircraft O+M	\$1200.00	
6040	Vehicle O+M	\$160.00	
6055	Communications O+M	\$25.00	
6060	Other Equipment O+M	\$50.00	
6110	Printing and Publications	\$100.00	
6200	Travel	\$50.00	
6350	Conferences and Meetings	\$0	
6410	Interest Expense	\$0	
6760	Cadet Activities	\$605.00	(7 encamp fees/model rkty.)
6770	Senior Activities	\$75.00	
6825	Mission Expenditures	\$400.00	
6950	Insurance-Vendors	\$365.00	
7300	Awards	\$50.00	
7400	Bookstore Purch-Mats and Supp.	\$50.00	
7401	Depot Purchases-Mats and Supplies	\$425.00	
7404	Payments to National HQ	\$0	
7420	Expenditures to other CAP Entities	\$0	
7445	Public Relations and Publicity	\$0	
7450	Taxes - Other	\$0	
7490	Miscellaneous	\$35.00	
7491	Note Payments	\$0	
7492	Real Property Purchased	\$0	
7493	Aircraft Improvements Purchased	\$0	
7494	Vehicles Purchased	\$0	
7495	Communication Equipment Purch	\$0	
7496	Other Equip and Furniture Purch	\$0	
9910	Lobbying Expenditures	\$0	
9960	Unrelated Business Income Exp.	\$0	

Total Expenditures.....\$5307.88

Cash in bank/savings account per unit records, Sept 30, 1999.....\$146.12